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NEWS RELEASE

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FOR RELEASE February 9, 2021

Auditor of State Rob Sand today released a report on a special investigation of certain activities of the Future Farmers of America (FFA) chapter of the North Butler Community School District (District) for the period December 1, 2018 through July 31, 2020. The special investigation was requested by District officials as a result of concerns proceeds from an FFA fruit and cider sale fundraiser were not properly collected and deposited by the District's former FFA Advisor.

Sand reported the special investigation identified an estimated \$2,170.00 of uncollected or undeposited collections for the annual FFA fruit and cider sales fundraiser held during academic years 2018/2019 and 2019/2020. Sand also reported it was not possible to determine if additional FFA collections were not properly deposited because sufficient records were not available.

In addition, Sand reported the special investigation identified \$5,855.22 of improper disbursements. The improper disbursements identified include the purchase of additional fruit and cider to be donated or gifted to others. The improper disbursements identified also include the purchase of FFA t-shirts and jackets which were kept by the students and did not comply with guidance established by the Iowa Department of Education.

The report includes recommendations to strengthen internal controls by ensuring receipts are issued for all donations and other collections received or the collections are recorded in an initial listing. In addition, the collection records should be compared to subsequent bank deposits by an independent party. Sand also recommended sufficient supporting documentation be maintained for all fundraising activities.

Copies of this report have been filed with the Butler County Sheriff's Office, the Division of Criminal Investigation, the Butler County Attorney's Office, and the Attorney General's Office. A copy of the report is available for review on the Auditor of State's web site at <https://www.auditor.iowa.gov/reports/audit-reports/>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
NORTH BUTLER COMMUNITY SCHOOL DISTRICT
FOR THE PERIOD
DECEMBER 1, 2018 THROUGH JULY 31, 2020**

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Auditor of State's Report

To the Board of Education of the
North Butler Community School District:

At the request of North Butler Community School District (District) officials and as a result of concerns proceeds from certain Future Farmers of America (FFA) fundraising events were not properly deposited, we conducted a special investigation of certain activities of the District's FFA chapter. We have applied certain tests and procedures to selected financial transactions of the District for the period December 1, 2018 through July 31, 2020. Based on a review of relevant information and discussions with District officials and personnel, we performed the following procedures.


- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Reviewed documentation compiled by District officials to obtain an understanding of concerns identified by District officials and subsequent actions.
- (3) Reviewed the District's Certified Handbook and Board policies to determine the procedures for handling student activity account fundraisers.
- (4) Obtained supporting documentation for FFA fruit and cider sales and compared expected proceeds to funds deposited for academic years 2018/2019 and 2019/2020 to determine if proceeds were properly deposited in the student activity account.
- (5) Scanned disbursements by the District for the FFA chapter and reviewed certain disbursements for propriety.
- (6) Interviewed District officials to obtain an understanding of expectations regarding duties performed by the former Secondary Ag Instructor and FFA Advisor, Frank Kisley.
- (7) Obtained and reviewed bank statements for accounts established by Mr. Kisley to identify any unusual activity.
- (8) Interviewed Mr. Kisley to obtain an understanding of the FFA's procedures for fundraisers and an explanation for certain transactions.

These procedures identified an estimated \$2,170.00 of undeposited collections and \$5,855.22 of improper disbursements. We were unable to determine if additional collections were not properly deposited because adequate records were not available. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the North Butler Community School District, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Butler County Sheriff's Office, the Division of Criminal Investigation, the Butler County Attorney's Office, and the Attorney General's Office.

We would like to acknowledge the assistance extended to us by personnel of the North Butler Community School District during the course of our investigation.



Rob Sand
Auditor of State

January 20, 2021

Report on Special Investigation of the
North Butler Community School District
Investigative Summary

Background Information

The North Butler Community School District (District) is based in Greene, Iowa and serves approximately 560 students in Butler County. The District has an Elementary School and a Junior/Senior High School. The District is governed by a five-member Board which meets the second Monday of every month.

The District provides support to the sports, music and arts programs available for student participation in the District. The District also maintains individual accounts within the District's accounting system for each student activity, such as the Future Farmers of America (FFA) chapter. Each student activity is overseen by an adult sponsor. The sponsors may be District faculty members or other adults hired by the District.

Frank Kisley began employment with the Greene Community School District as an Assistant Wrestling Coach on February 25, 2009. Greene Community Schools and Allison-Bristow Community Schools merged to form North Butler Community School District in 2010. Mr. Kisley continued his employment as the Assistant Wrestling Coach until July 1, 2019. He was hired as the Secondary Agriculture Instructor (Ag Teacher) and FFA advisor on July 1, 2018. As the Ag Teacher and FFA Advisor, Mr. Kisley was responsible for:

- Teaching daily Ag lessons;
- Supervising and coordinating supervised agricultural experience programs;
- Serving as advisor for the District's FFA chapter; and
- Assisting students in coordinating FFA activities at the local, area, district, state, and national levels.

During an interview with Mr. Kisley, he stated, prior to his appointment as FFA advisor, the District shared the FFA program with another District. However, during his first year, the District chartered its own chapter.

The District's FFA chapter holds an annual fruit and cider sale, the proceeds of which are used to pay travel costs to FFA National Conventions and the Iowa State Fair. The fruit and cider sale typically begins in late October. Students take orders from community patrons. They are to collect payment at the time orders are placed by individuals and submit collections to the FFA Advisor. However, during our interview with Mr. Kisley, he stated payments were collected at the time the fruit was delivered because it was a perishable item. Cash or checks are accepted as forms of payment. In early December, the order is submitted to the fruit company, Minntex, and cider company, Community Orchards, so the products could be received by the District and delivered to customers prior to winter break.

All proceeds and expenses associated with a District fundraising event are to be accounted for in the District's Student Activity Fund. Within this fund, there are sub-accounts for each student activity. The operating account is under the specific control of the building principal. The FFA account is used for the deposit of fundraising proceeds and related expenditures. The advisors have control over how the funds are spent with approval from the building principal.

On February 27, 2020, the District's Business Manager notified the High School Principal that the deposits made to the District's bank account did not appear to encompass the entire amount collected. As a result, District officials calculated the expected collections from the FFA's 2019 fruit and cider sale fundraiser and subsequently determined approximately \$1,200 to \$2,500 was not

properly deposited. Because not all order forms were available, it could not be determined if funds were not collected from students or collected from students but not deposited. District officials also expressed concern regarding compliance with other District policies.

Mr. Kisley was placed on paid administrative leave on March 9, 2020 through the end of the school year. According to District representatives, Mr. Kisley stated he had turned all money in to the District prior to being placed on administrative leave. Mr. Kisley previously submitted his resignation letter to the District dated December 3, 2019 effective the end of the 2019/2020 academic year. During the months leading up to and during his paid administrative leave, Mr. Kisley sought representation from the Iowa State Education Association (ISEA).

As a result of the concerns identified, District officials requested the Office of Auditor of State review the financial transactions associated with the District's FFA chapter. We performed the procedures detailed in the Auditor of State's report for the period December 1, 2018 through July 31, 2020.

Detailed Findings

These procedures identified an estimated \$2,170.00 of undeposited collections and \$5,855.22 of improper disbursements. The improper disbursements identified include the purchase of additional fruit and cider to be donated or gifted to others and the purchase of FFA t-shirts and jackets which were kept by the students. It was not possible to determine if additional collections were not properly deposited because adequate records were not available. All findings are summarized in **Table 1** and a detailed explanation of each finding follows.

Table 1		
Description	Table/Page	Amount
Estimated undeposited collections	Table 4	\$2,170.00
Improper disbursements:		
Extra fruit and cider	Table 3	\$ 3,039.98
FFA t-shirts	Page 11	521.24
FFA jackets	Page 12	2,294.00
Total improper disbursements		5,855.22
Total undeposited collections and improper disbursement		5,855.22
		<u>\$8,025.22</u>

We conducted an interview with Mr. Kisley on January 19, 2021, during which he provided information regarding his job duties as the FFA Advisor. We also requested information during the interview regarding the annual fruit and cider sale and certain disbursements made for the FFA chapter. The information Mr. Kisley provided is described in the following paragraphs.

DISTRICT REQUIREMENTS

In accordance with a Board policy established in 2014, all fundraisers held by a school club/organization must be approved by the building principal in advance if possible, although written requests are not required. While the District does not have a policy regarding the record keeping required for fundraising events, Code No. 704.5 of the District's Board Policies states, "Revenue raised by students or from student activities shall be deposited and accounted for in the student activities fund. This revenue is the property of and shall be under the financial control of the board. Students may use this revenue for purposes approved by the building principal."

The District's 2019/2020 Certified Handbook states, "Count and neatly stack the money, complete a deposit slip with the source and amount of the funds being deposited, and turn these items into the office promptly. Do not keep money in settings other than the office overnight." However, during our interview with Mr. Kisley, he stated there were times cash collections were kept locked in his desk overnight. Each year, employees are required to review the District's Certified Staff Handbook.

In addition, staff are required to sign and return the Acknowledgement of Receipt to administration. Mr. Kisley failed to submit the acknowledgement for academic years 2018/2019 and 2019/2020. On January 30, 2020, the District's Human Resources Director sent an email to Mr. Kisley directing him to return the signature page. A copy of the signature page was placed in his school mailbox, and another copy of the Certified Handbook was included in the reminder email.

During our interview with Mr. Kisley, he stated he did not sign the acknowledgment for the Certified Handbook because he had requested multiple times to meet with administration to obtain additional explanation for certain policies. However, according to Mr. Kisley, no one acknowledged his request or met with him to answer his questions.

In October 2019, Mr. Kisley completed an ethics course, which covered Code of Professional Conduct and Ethics Regulation 25.3(4) Standard IV: Misuse of Public Funds and Property. This standard states, in part, "Violation of this standard includes: a. Failing to account properly for funds collected that were entrusted to the practitioner in an educational context. b. Converting public property or funds to the personal use of the practitioner... d. Combining public or school-related funds with personal funds."

The ethics training provided two examples of violations of this standard, both of which referred to properly accounting for funds collected that are entrusted to them in an educational context. The training stated, "It is unethical to convert public property or funds to the personal use of the practitioner." The training also provided a case study example, which was specific to fundraisers and the importance of turning money in to the office daily.

In addition, in accordance with the District's Certified Handbook, all purchases made with District funds must be pre-approved by completing a purchase requisition. All money is to be collected (if applicable) prior to the order being submitted. In November 2019, District officials sent an email reminder to all staff within the District regarding purchase orders (PO). The email stated an approved PO is required before any orders are placed, even if verbal approval was received. Attached to this email was also a copy of the District's accounting procedures.

UNCOLLECTED OR UNDEPOSITED RECEIPTS

As stated previously, District officials reported Mr. Kisley stated he had turned all money collected in to the District office prior to being placed on administrative leave. In an email to the ISEA dated February 28, 2020, Mr. Kisley stated, "Today she [High School Principal] asked to [sic] copies all the FFA fruit sales paperwork and I gave it all to her as well as the money when it was due. She is now stating that the money does not add up and are blaming me for the situation." However, during our interview with Mr. Kisley, he stated he informed District officials prior to being placed on administrative leave on March 9, 2020 not all funds had been collected by students and remitted to the District office.

In order to determine if all proceeds from the annual FFA fruit and cider sales were properly deposited, we obtained business office receipts and corresponding deposit slips, available collection records, and vendor invoices from Minntex and Community Orchards from District officials for the period November 15, 2018 through July 31, 2020. Upon request, District IT staff and officials accessed Mr. Kisley's computer and provided copies of certain emails and electronic records.

Price sheets for the items sold in 2019 and electronic spreadsheets which listed orders for the 2018 and 2019 events were also obtained from Mr. Kisley's computer. Although District officials were unable to locate price sheets for the 2018 fruit and cider sales fundraiser, the electronic order tracking spreadsheet obtained from Mr. Kisley's computer listed the prices for each item, as well as the cost from the vendor. The 2018 prices listed are reasonable when compared to 2019.

Using invoices the District received from the vendors, Minntex and Community Orchards, we determined the quantity of each item purchased by the District for resale to community patrons.

Because order forms were not available for 2018 and only a few were available for 2019, we are unable to verify the accuracy of the electronic tracking spreadsheets. However, because the total number of items to be ordered per the electronic tracking spreadsheets agreed with the total number of items purchased based on the vendor invoices, we relied on the information listed in the electronic spreadsheets to determine the number of products sold and the related total amount to be collected based on the sales.

The 2018 and 2019 electronic tracking spreadsheets included columns designating the number of extra items to be purchased and the number of products sold by the students. Using the invoices from the vendors, we verified the total number of items purchased included the extra items listed on the spreadsheets. According to the documentation District officials submitted to the Iowa Board of Education Examiners (BOEE), Mr. Kisley purchased extra items for “class use and donations to local agencies.”

During our interview with Mr. Kisley, he stated extra fruit was ordered for classroom consumption to be used as an educational opportunity for the students to learn about the products. In addition, Mr. Kisley reported extra fruit was donated to two food banks, nursing homes and care centers, and gifted to vendors who assisted with the students’ test farm plot, the District’s bus barns, and the District offices. Mr. Kisley also stated the extra fruit was used for quality control; in the event of spoilage, students were able to replace the spoiled fruit. The number of extra items purchased are summarized by year in **Table 2**.

Table 2			
Description	2018	2019	Total
Number of Items Purchased:			
Total	1,280	1,881	3,161
Sold per tracking spreadsheet	(1,170)	(1,643)	(2,813)
Remaining/extra	110	238	348

It is reasonable for the District to order extra fruit to account for spoilage. However, according to an Iowa Department of Education representative we spoke with, it is not allowable for a District to order extra fruit with the intention of donating it to others. In addition, Article III, Section 31 of the Constitution of the State of Iowa states, in part, no public property shall be appropriated for private purposes. Should the District not need all the extra fruit ordered to cover spoilage, it is allowable to donate the remaining fruit to charitable or non-profit organizations for ultimate free distribution to needy individuals in accordance with section 672.1(2) of the *Code of Iowa*.

Based on our experience with other entities which purchased fruit from Minntex, we determined 3% of the cost of the items sold to patrons was a conservative estimate for the allowance of spoiled fruit. The cost of the extra items purchased, the amount allowed for spoilage, and the additional cost incurred by the District are summarized by year in **Table 3**.

Table 3			
Description	2018	2019	Total
Total cost of items purchased	\$15,651.80	22,349.05	38,000.85
Sold per tracking spreadsheet	(14,423.15)	(19,519.45)	(33,942.60)
Remaining/extra	1,228.65	2,829.60	4,058.25
Less: Spoilage allowance	(432.69)	(585.58)	(1,018.27)
Net unallowable amount	\$ 795.96	2,244.02	3,039.98

As illustrated by the **Table**, the net unallowable amount totaled \$3,039.98. Because the District should not be intentionally purchasing fruit to be donated to others, the \$3,039.98 is included in **Table 1** as improper disbursements.

As previously stated, District officials calculated the expected collections from the FFA's 2019 fruit and cider sale fundraiser and subsequently determined approximately \$1,200 to \$2,500 was not properly deposited. Specifically, they reported to the BOEE they estimated \$1,176.51 to \$2,511.51 appeared to be uncollected or missing for the 2019 FFA fundraiser. We reviewed the calculation the District included in the report to BOEE and determined a range was reported because District officials used two sets of prices to determine expected sales and did not allow for discounted sales prices. We also determined they inadvertently included a deposit from sources other than the fruit and cider sale in the estimate they prepared.

In order to determine if the proper amount of proceeds were deposited for the fundraiser in 2018 and 2019, we determined the number of products purchased by the District, the sales price of the products, any discounts applied, and the amounts deposited each year.

Beef sticks and string cheese were sold at a discounted price in 2018 and 2019 if multiples were ordered. However, sufficient supporting documentation was not available to determine the number of products sold at a discount and the number sold at full price. The maximum amount to be collected for beef sticks if all items were sold at full price totaled \$3,060.00 and \$4,560.00 in 2018 and 2019, respectively. The maximum amount to be collected for string cheese if all items were sold at full price totaled \$720.00 and \$1,170.00 in 2018 and 2019, respectively. According to a document provided to the BOEE by Mr. Kisley, approximately 75% of the beef stick and string cheese orders were multiples receiving the discounted price. We were unable to verify the percentage provided by Mr. Kisley. However, to be conservative, we estimated the amount of discounted sales using the 75% he reported to BOEE.

Using the documents available, we estimated \$1,580.00 of the collections from the 2019 were not properly deposited. We also estimated \$592.25 was not properly deposited for the 2018 FFA fundraiser, as illustrated by **Table 4**.

Table 4			
Description	2018	2019	Total
Sales price for all purchased products:*			
Fruit (Minntex)	\$ 24,100.00	34,095.00	58,195.00
Cider (Community Orchards)	440.00	1,130.00	1,570.00
Subtotal	24,540.00	35,225.00	59,765.00
Less: Items not sold	(1,955.00)	(4,555.00)	(6,510.00)
Discounted sales	(667.50)	(1,000.00)	(1,667.50)
Expected collections	21,917.50	29,670.00	51,587.50
Less: Deposits during academic year	(21,325.25)	(26,235.00)	(47,560.25)
Additional deposit^	-	(1,855.00)	(1,855.00)
Estimated undeposited collections	\$ 592.25	1,580.00	2,172.25
Rounded estimated undeposited collection			\$ 2,170.00

* - Number of items sold multiplied by sales price for all products

^ - Amount Mr. Kisley provided to High School Principal in July 2020.

As stated previously, the District's Business Manager notified the High School Principal on February 27, 2020 that the deposits for the FFA fundraiser did not appear complete and Mr. Kisley was subsequently placed on paid administrative leave on March 9, 2020. District officials also reported Mr. Kisley made statements to them when he submitted a deposit to the District office that all money had been turned in. Also as stated previously, in an email to the ISEA union representative on February 28, 2020, Mr. Kisley stated all money had been turned in when it was due. However, Mr. Kisley subsequently submitted an additional amount to the High School Principal in July 2020.

Mr. Kisley's contract with the District expired on June 30, 2020. On July 27, 2020, Mr. Kisley entered the school without permission through an unlocked shop door. District officials were alerted by a custodial staff member he was in the building. Mr. Kisley was contacted by District officials and directed to leave the building until someone could arrive and supervise. However, District officials reported security cameras show he retrieved two boxes of items from his office prior to District officials' arrival.

When District officials arrived, Mr. Kisley also retrieved buckets from the wrestling room and asked if he could turn in additional profits from the fruit and cider sales. District officials reported Mr. Kisley then remitted an additional \$1,855.00 in cash, which was bundled as if it had come from the bank. According to District officials, Mr. Kisley stated he had not counted the money and did not know how much money was there. The District official provided Mr. Kisley a receipt for the money. The additional funds remitted by Mr. Kisley are included in **Table 2**.

As previously stated, during our interview with Mr. Kisley, he stated he informed District officials not all funds had been collected and/or remitted when he was placed on administrative leave. In addition, Mr. Kisley stated he attempted on two different occasions to inform District officials there were FFA proceeds in the locked drawer of his desk. However, they would not acknowledge him. We spoke with the Superintendent and the High School Principal about Mr. Kisley's statements; however, they both stated they were never contacted by Mr. Kisley regarding funds in his possession at the time of his administrative leave.

Mr. Kisley stated he went to the High School in July 2020 to collect his personal belongings because he was no longer teaching for the District. At that time, he again told the High School Principal he had FFA proceeds from his desk to be turned in. According to Mr. Kisley, the High School Principal initially refused to take the money; however, she did accept the proceeds and provided him a receipt for the funds turned in. Mr. Kisley further stated the cash had been in his locked desk since March 2020 and was bundled in the same manner as he always had when remitting funds to the District office.

We are unable to determine if there are additional undeposited collections due to the lack of records. Mr. Kisley was the only individual responsible for collecting payments from students, parents, or community patrons and depositing funds with the District office.

OTHER ADMINISTRATIVE ISSUES

FFA T-Shirts

In January 2019, Mr. Kisley ordered t-shirts from a vendor, which were given to students in the FFA program. No reimbursements were requested from students. Mr. Kisley submitted the requisition to the District on January 30, 2019, which was approved by the Superintendent and paid by the District. The t-shirts were distributed to students and were not returned to the District by the students at the end of the school year. During our interview with Mr. Kisley, he stated, although they were not required, he wanted all students to have FFA shirts on at non-national FFA events, such as Farm Safety Day, Foods for America, and faculty breakfasts, to identify them as FFA participants.

According to the “Frequently Asked Questions (FAQs) Regarding the Student Activity Fund” updated by the Department of Education on March 23, 2016, “items that students retain or that are personalized are generally purchased by the students.” In addition, the FAQs state, in part, “Student Activity Funds are public funds and should not be used for...private benefits.” Iowa Administrative Code (IAC) rule 281-98.70 states inappropriate expenditures in the Student Activity Fund include “expenditures that lack public purpose” and “the cost of optional equipment or customizing uniforms.” Based on this guidance, it is unclear why the District decided to make this purchase or why District officials approved the purchase of t-shirts for students to retain. As a result, we considered the purchase of FFA t-shirts totaling \$521.24 to be an improper disbursement and have included it in **Table 1**.

In January 2020, Mr. Kisley contacted District representatives to inquire about purchasing t-shirts for FFA. According to District officials, Mr. Kisley was advised if the shirts were part of a uniform, the District would pay for them. However, because the t-shirts were not considered part of a uniform, he was advised a business could sponsor the t-shirts, but the financial transactions associated with the purchase of the t-shirts and the sponsor’s financial support could not be processed by the District. Based on this information, Mr. Kisley ordered 57 t-shirts and 35 quarter zip jackets, totaling \$1,778.94, which were paid for with a credit card held by Mr. Kisley’s private company. It is unclear why the District did not ask these same questions for the t-shirt purchase made in 2019.

According to student statements made to District officials, Mr. Kisley initially requested payment from students for the FFA t-shirts distributed in 2020, and at least one parent had written a check to him personally. However, when District officials were made aware he was accepting payments for the t-shirts, the check written to him was returned to the student. Students were then directed to write the checks to his private business. However, we were unable to determine if any student checks were issued as such. According to the District officials we spoke with, the parent reported another check was not issued.

During our interview with Mr. Kisley, he stated he submitted a PO for the shirts purchased in 2020, which was approved by the High School Principal and Superintendent but denied by the Board Secretary. When he asked why it was denied, he was informed the District would not purchase them because it was not a required uniform. Mr. Kisley stated he then inquired if the t-shirts could be sponsored, and he was told they could be as long as it was not through the District. As a result, the t-shirts were sponsored by a business of which Mr. Kisley is a partner.

Mr. Kisley also reported during the interview no money was collected at any point for the t-shirts. However, he stated a faculty member, whose daughter was in his class, wrote a personal check for \$20.00. Mr. Kisley stated he returned the check to her and said he could not accept it, which was witnessed by another faculty member. We asked Mr. Kisley why the faculty member wrote a check. To which, he replied there were two items ordered, t-shirts and pullovers. The t-shirts were fully sponsored by the business; however, the cost of the pullovers was to be split between the business and the students. However, because he was on administrative leave, Mr. Kisley stated he only collected payment for the pullovers from three students.

FFA Jackets

As stated previously, District policy requires a purchase requisition to be completed and money to be collected prior to any orders being placed with external vendors. Purchase requisitions are completed through Software Unlimited by the requesting staff. The software allows for a detailed itemized description, cost and comments to be added. Once submitted, the requisition is forwarded to the building principal and then the Superintendent for approval. Each approval level is a check box to indicate whether the requisition is approved or denied. Once the requisition is approved, it is sent to the business manager before being disseminated to the requesting staff. Once the items on the approved purchase order are purchased, an itemized receipt is to be submitted to the

business manager for payment processing. The building principal and superintendent do not see the final receipt.

Although Mr. Kisley failed to sign the acknowledgement for the annual review of the Certified Handbook, he submitted numerous purchase requisitions to the District for payment during his tenure with North Butler and was aware of the District's process. In addition, as previously stated, in November 2019, District officials sent an email reminder to all staff within the District regarding purchase requisitions and purchase orders. The email stated an approved purchase order is required before any orders are placed, even if verbal approval was received. Attached to this email was a copy of the District's accounting procedures.

In January 2019, Mr. Kisley ordered 37 personalized embroidered jackets from the National FFA Organization. As previously stated, the District's FFA chapter was chartered Mr. Kisley's first year. As a result, during our interview with Mr. Kisley, he stated jackets were purchased for every member of the District's FFA chapter. The purchase requisition approval process was followed, and the District paid the \$2,294.00 invoice on February 8, 2019. The jackets were distributed to students and were not returned to the District at the end of the year. Similar to the t-shirts, it is unclear why the District decided to make this purchase or why District officials approved the purchase of personalized jackets for students to retain. As a result, we considered the purchase of FFA jackets totaling \$2,294.00 to be an improper disbursement and have included it in **Table 1**.

In January 2020, the District received an invoice from the National FFA Organization, which contained 19 personalized FFA jackets, as well as other FFA supplies, for students in the FFA class. The invoice totaled \$1,266.50 and showed the order was placed on January 24, 2020. An approved purchase requisition was not submitted to the Business Manager for the purchase.

On February 17, 2020, District officials received a purchase order from Mr. Kisley for the invoice listing the FFA jackets. On February 27, 2020, District officials reached out to Mr. Kisley to inquire about the PO, as the order was shipped to the school on January 31, 2020. In addition, the District questioned the embroidery on the jackets, as the policy states purchases are District property. Mr. Kisley was advised the jackets could be given to the students but would have to be returned to the District at the end of the year. It is unclear why the District did not ask these same questions for the personalized jacket purchase made in 2019.

During our interview with Mr. Kisley, he stated he submitted a PO, which was approved by the High School Principal and Superintendent but denied by the Board Secretary. When he asked why the PO was denied, he was told the District could not purchase the jackets if the students kept them. Mr. Kisley also stated FFA guidelines require the jackets to be personalized with the student's name, office within the FFA chapter, and their pins. In addition, Mr. Kisley stated he discussed the purchase with the High School Principal, and they reached the agreement the District would purchase the jackets, but the students could not keep them when they graduated.

The District paid the invoice received in January 2020 but retained possession of the jackets purchased.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the North Butler Community School District to process receipts and disbursements and the procedures used to handle fundraising activities. An important aspect of internal control is to establish procedures which provide accountability for assets susceptible to loss from errors and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen internal controls.

- A. Segregation of Duties - An important aspect of internal control is the segregation of duties among members to prevent an individual from handling duties which are incompatible. The District's former FFA Advisor had control over collecting and depositing receipts with the business office. He was also responsible for making related purchases and overseeing distribution of purchased items.

Recommendation - For fundraising activities administered on behalf of all student organizations, the duties associated with purchasing, distribution, and collections should be segregated between available individuals. Collections should be counted and signed off by at least two individuals prior to remitting them to the District office. Documentation of this count should be maintained by advisors or District personnel and compared to a receipt generated by the District office by someone independent of the count and custody of the collections.

- B. Reconciliation of Fundraisers - Fundraisers are held by various student activity groups throughout the year and are to be approved by the building principal, in advance if possible. The building principal is responsible for overseeing all fundraisers, which are part of the Student Activity Fund, and expenditures from this fund. However, the building principal or another independent party does not compare the collections from the fundraisers to vendor invoices, order forms, and/or other supporting documentation to ensure all amounts are properly remitted.

Recommendation - District officials should implement procedures to ensure the building principal or another independent party compares the collections from fundraisers to vendor invoices, order forms, and/or other supporting documentation in a timely manner to ensure all amounts are properly remitted. Any irregularities identified during this process should be resolved in a timely manner.

In addition, District officials should require a written form outlining when the fundraiser will occur, how many students will be involved, and estimated profit be submitted as part of the review and approval process prior to the beginning of the fundraiser. The form should be maintained by the individual responsible for approving the fundraiser.

- C. Collection Records - In accordance with the Certified Staff Handbook, all money collected for student funds must be counted and neatly stacked, a deposit slip completed with the source and amount of the funds being deposited and turned into the office promptly. Money is not to be kept in locations other than the office overnight. However, Mr. Kisley remitted collections from the 2019/2020 FFA fruit and cider sale in July 2020.

Recommendation - District officials should review all policies related to recording of collections outlined in the Certified Handbook and District Board Policies to determine if procedures are adequate to ensure all collections are subsequently deposited. An individual independent of the collection and deposit processes should compare the receipts and/or initial listings to the amounts subsequently deposited and the review should be documented by the reviewer's signature or initials and the date of the review.

- D. Donation of Goods – The FFA donated products to local food banks, nursing homes and care centers and gifted products to vendors who assisted with the students' test farm plot, the District's bus barns, and the District offices. While goods donated to local food banks, nursing homes, and care centers are in compliance with *Code of Iowa* section 672.1(2), it is not allowable for the District to intentionally purchase extra fruit to donate or gift to others.

Recommendation – Prior to the fruit and cider sales, the District should determine what can be done with excess product or work with the vendor to determine an appropriate amount to be ordered to allow for spoilage. The amount of excess product ordered to allow for spoilage should be included in the request for approval of the fundraiser. The District should also track donations and spoilage. In addition, products should only be donated to charitable or nonprofit organizations in accordance with Chapter 672.1(2) of the *Code of Iowa*.

- E. Supporting Documentation – Supporting documentation, such as order forms or registration forms, were not maintained for the fruit and cider sales done by the FFA. As a result, we are unable to determine if all receipts were properly collected and deposited.


Recommendation – The District should ensure sufficient supporting documentation, such as vendor invoices, order forms, registration forms, and/or other supporting documentation, is maintained for all fundraisers.

Report on Special Investigation of the
North Butler Community School District

Staff

This special investigation was performed by:

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